

Voluntary Report - public distribution

**Date:** 7/28/2004

**GAIN Report Number:** GM4026

## Germany

### Agricultural Situation

### Luxembourg Reform Implementation in Germany 2004

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**Report Highlights:**

Germany decided to take full advantage of the considerable flexibility the EU CAP reform offers to the member states. For most commodities, Germany will decouple subsidies from actual production as extensively as possible. Full implementation of a single per hectare subsidy payment per region is to be achieved by January 1, 2013

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Berlin [GM1]  
[GM]

## Luxembourg Reform Implementation in Germany

On July 9, 2004, the German parliament approved the law for Germany's implementation of the Luxembourg CAP reform of June 2003. During the law's parliamentary conciliation process, the general system of the CAP implementation, proposed by BMVEL in January 2004 (see GAIN GM4009), was not significantly altered. Changes were made mainly to the starting dates of the implementation process and the transition from a hybrid system to a uniform region-wide area subsidy.

Germany has taken full advantage of the considerable flexibility the EU CAP reform offers to the member states. For most commodities, Germany will decouple subsidies from actual production as extensively as possible. Tobacco and hops are the only two products that Germany will not fully decouple from production subsidies.

In contrast to the original proposal, German hop area will be counted as subsidy eligible cropland. Wine, which is also a permanent crop, is not eligible for cropland subsidies. The explanation for this different treatment of wine and hops is that under the current EU support rules hop producers receive area subsidies while vintners do not. Only 75 percent of the hop subsidy will be decoupled from production while the remaining 25 percent will be made available to central hop producer and marketing cooperatives. The task of these cooperatives is to perform market and price stabilizing functions.

The EU tobacco subsidies for German growers will only be decoupled by 60 percent. The remaining 40 percent will be made available for the farm and production reorganization of tobacco growers.

The German philosophy is that farm subsidies should not determine which crops or livestock products a farmer produces. The actual farm production program should be determined by the market price. Farm subsidies are supposed to compensate farmers for societal benefits, such as land stewardship and animal welfare provided by the land manager.

Germany's decoupling process will start on January 1, 2005. Full implementation of a single per hectare subsidy payment per region is to be achieved by January 1, 2013 (this is one year later than the original proposal – see GM4009). In the meantime, Germany will apply a hybrid system of land-based subsidies plus historical farm-based subsidies. During the beginning years of the implementation process until the end of 2009, farmers are eligible for a uniform cropland-based subsidy payment and a uniform grassland-based subsidy (GAIN GM4009). Beginning 2010, the difference between these two subsidy levels will be harmonized in four annual accelerating steps (the original proposal harmonized this difference over six years, 2007-2012). In 2010, the first year of subsidy harmonization, the difference between the cropland subsidy and the grassland subsidy will be reduced to 90 percent of its original value. In 2011, the difference will be reduced to 70 percent, to 40 percent in 2012 and finally result in a uniform per hectare payment for all eligible farmland by 2013.

Year	2009	2010	2011	2012	2013
Difference between Cropland and Grassland-based Subsidies, in %	100	90	70	40	0

Farm organizations, particularly in southern Germany, pushed for a late start of the subsidy harmonization process. They lobbied the government to maintain the current high level of the subsidies for their cattle farms as long as possible. Since the total region value of all per hectare payments does not change over the years, the harmonization beginning in 2010 will

lead to a redistribution of subsidies to the farmers. Winners in this German system will be those farmers who have been growing crops not eligible for any kind of direct subsidies, such as potatoes, sugar beets, vegetables and others. Grain and oilseed producers will face reductions in subsidy payments. Also farmers with a large portion of cattle subsidies, which will be redistributed beginning 2010, will experience reductions in transfer payments.